

## Message Text

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ACTION NEA-10

INFO OCT-01 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-01 H-02 INR-10 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05  
SS-15 STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02  
OMB-01 DOE-15 OES-07 XMB-04 /145 W  
-----030140 071030Z/11

R 061316Z APR 78  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 738  
INFO AMEMBASSY COLOMBO  
AMEMBASSY DACCA  
AMEMBASSY ISLAMABAD  
AMEMBASSY KABUL  
AMEMBASSY KATHMANDU  
USMISSION GENEVA  
AMCONSUL BOMBAY  
AMCONSUL CALCUTTA  
AMCONSUL MADRAS

UNCLAS SECTION 1 OF 4 NEW DELHI 5354

MTN FOR GENEVA; ALSO PASS STR AND USDA

E.O. 11652: N/A  
TAGS: ETRD IN  
SUBJECT: GOI IMPORT EXPORT POLICY FOR 1978-79

REF: NEW DELHI 2041

1. SUMMARY. THE IMPORT-EXPORT POLICY FOR 1978-79,  
ANNOUNCED IN PARLIAMENT ON APRIL 3 BY MINISTER OF COMMERCE  
DHARIA, MARKS A MAJOR STEP IN THE FURTHER LIBERALIZATION  
OF INDIA'S FOREIGN TRADE. A VERY LARGE NUMBER OF ITEMS, INCLUDING 253  
ITEMS OF CAPITAL EQUIPMENT (COMPARED TO 167 LAST YEAR),  
CAN NOW BE IMPORTED WITHOUT OBTAINING A LICENSE.

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GLOBAL TENDERS ARE PERMITTED FOR CAPITAL GOODS IMPORTS  
IN 14 KEY INDUSTRIES (INCLUDING FERTILIZERS,  
MINERAL EXPLORATION AND MINING AND OIL EXPLORATION).  
ALTHOUGH THERE WILL BE NO PRICE PREFERENCE FOR  
INDIAN PRODUCED CAPITAL GOODS IN THESE SECTORS,  
THEY WILL HAVE AN ADVANTAGE OF NOT PAYING AN  
IMPORT DUTY OF AROUND 40 PERCENT LEVIED ON FOREIGN CAPITAL

GOODS. OTHER MAJOR HIGHLIGHTS OF THE POLICY INCLUDE:  
"DECANALIZATION" (FREEDOM FROM EXCLUSIVE TRADING BY PUBLIC SECTOR CORPORATIONS) OF THE IMPORT OF 56 ITEMS; BAN ON THE IMPORT OF GOODS PRODUCED IN THE SMALL AND COTTAGE SECTOR INDUSTRIES; LIBERAL IMPORTS FOR ESTABLISHING NEW SMALL SCALE INDUSTRIAL UNITS; GUARANTEE TO ACTUAL USERS OF THEIR FULL YEAR'S IMPORT REQUIREMENTS; SIMPLIFICATION OF IMPORT PROCEDURES AND REGULATIONS; AND CONSIDERABLE DECENTRALIZATION OF DECISION MAKING. MANY OF THE RECOMMENDATIONS OF THE ALEXANDER COMMITTEE REPORT (REFTEL)UAYDWE ACCEPTED BY THE GOI. THE MAIN THRUST OF THE POLICY IS TO INCREASE IMPORTS AND USE RECORD FOREIGN EXCHANGE RESERVES FOR MORE RAPID GROWTH IN INVESTMENT AND OUTPUT. BUSINESS REACTION HAS BEEN FAVORABLE ALTHOUGH SOME CONCERN HAS BEEN VOICED ABOUT THE ABILITY OF INDIAN FIRMS TO WITHSTAND INTERNATIONAL COMPETITION. THE NEW POLICY OFFERS GREATER OPPORTUNITIES FOR US EXPORTERS TO SELL CAPITAL EQUIPMENT TO INDIA, BUT THE IMPACT OF THE LIBERALIZATION WILL TAKE TIME TO BE FELT. IF SLUGGISH DEMAND IN THE DOMESTIC MARKET CONTINUES, ONLY A RELATIVELY MODEST RISE IN INDIAN IMPORTS MAY OCCUR. END SUMMARY.

2. IMPORTERS AND IMPORT ITEMS. CATEGORIES FOR IMPORTERS AND IMPORT ITEMS HAVE BEEN SIMPLIFIED. ESTABLISHED IMPORTERS HAVE BEEN ABOLISHED AND FOR MOST PRACTICAL PURPOSES THERE IS NOW ONLY ONE CATEGORY COVERING ACTUAL USERS  
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(INDUSTRIAL AND NON-INDUSTRIAL) AND THOSE ELIGIBLE FOR IMPORT REPLENISHMENT AGAINST EXPORTS.  
FOR ALL THESE USERS THERE IS A COMMON LIST OF ITEMS AND COMMON IMPORT PROCEDURES EXCEPT IN CERTAIN SPECIFIC CASES.  
THE CATEGORY OF ACTUAL USERS (NON-INDUSTRIAL) HAS BEEN SUFFICIENTLY ENLARGED TO INCLUDE ALL LOCAL AUTHORITIES, HOSPITALS, EDUCATIONAL INSTITUTIONS, AND RESEARCH AND DEVELOPMENT ESTABLISHMENTS. THEY ARE AUTHORIZED TO IMPORT THEIR FULL TECHNICAL REQUIREMENTS.

3. THERE ARE NOW THREE BASIC CATEGORIES OF ITEMS-  
BANNED (DIVIDED INTO "BANNED" ITEMS, WHICH CAN BE IMPORTED UNDER CERTAIN CIRCUMSTANCES; AND ABSOLUTELY BANNED ITEMS), RESTRICTED, AND OPEN GENERAL LICENCE (OGL) WHERE A LICENSE IS NOT NEEDED.  
THE IDENTIFICATION OF COMPONENTS, SPARES AND RAW MATERIALS HAS BEEN MADE VERY DETAILED FOR THE FIRST TIME. THE MAJOR ITEMS - CATEGORIES ARE AS FOLLOWS:

A. BANNED - CAPITAL GOODS (80 ITEMS)  
CHEMICALS AND ALLIED (574)  
ENGINEERING AND ALLIED (177)

IRON AND STEEL (12)

B. ABSOLUTELY BANNED - CHEMICALS AND ALLIED (92)  
ENGINEERING ITEMS (4)

C. RESTRICTED - CHEMICALS AND ALLIED (330)  
ENGINEERING AND ALLIED (168)  
IRON AND STEEL (23)

D. CANALIZED (65)

E. OGL - CAPITAL GOODS (253)  
PETROLEUM PRODUCTS, FERTILIZERS AND DRUGS (BUT  
IMPORTS TO BE MADE EXCLUSIVELY BY GOI TRADING  
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CORPORATIONS  
OTHER ITEMS.

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OMB-01 DOE-15 OES-07 XMB-04 /145 W  
-----030790 071030Z/11

R 061316Z APR 78

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 739

INFO AMEMBASSY COLOMBO

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KABUL

AMEMBASSY KATHMANDU

USMISSION GENEVA

AMCONSUL BOMBAY

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4. OPEN GENERAL LICENSE (OGL). IMPORTS OF A VERY LARGE NUMBER OF ITEMS ARE NOW PLACED UNDER OGL. THIS CATEGORY NOW INCLUDES 253 CAPITAL GOODS, SOME RAW MATERIALS AND COMPONENTS (NON-IRON AND STEEL) A WIDE SPECTRUM OF LIFE SAVING EQUIPMENT AND DRUGS, CERTAIN FINISHED DRUG PREPARATIONS AND SOME TEACHING AIDS. FREE LICENSING (IMPORTERS APPLYING DIRECTLY TO LICENSING AUTHORITIES WITHOUT THE NEED TO GO TO SPONSORING AUTHORITIES FOR RECOMMENDATION) HAS BEEN ABOLISHED AND MERGED LARGELY WITH OGL WITH APPROPRIATE CONDITIONS ATTACHED IN THE CASE OF SOME ITEMS. FOR INSTANCE THE IMPORT OF PERMISSIBLE INSECTICIDES HAS BEEN UNCLASSIFIED

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PLACED ON OGL BUT THOSE ELIGIBLE TO IMPORT NEED CLEARANCE BY THE DEPARTMENT OF AGRICULTURE UNDER THE INSECTICIDES ACT.

5. ACTUAL USERS. MAJOR HIGHLIGHTS OF THE POLICY REGARDING ACTUAL USERS ARE:

--AUTOMATIC LICENSES TO CARRY NO LIST OF ITEMS OR ANY FACE VALUE RESTRICTIONS AND VALID FOR ALL RESTRICTED ITEMS NEEDED FOR LICENSED PRODUCTION. AN EXTRA TEN PERCENT VALUE OVER CERTIFIED PAST CONSUMPTION IS ALLOWED FOR GROWTH AND RISE IN IMPORT PRICES.

--ISSUE OF A SINGLE LICENSE WITH THREE SEPARATE NON-INTERCHANGEABLE VALUES FOR STEEL ITEMS; "NON-PERMISSIBLE" SPARES; AND RAW MATERIALS, COMPONENTS AND CONSUMABLES.

"" FREEDOM TO IMPORT UNDER OGL ANY RAW MATERIALS AND COMPONENTS (WHICH ARE NOT SPECIFICALLY CONTAINED IN BANNED OR RESTRICTED CATEGORIES)

--TEN PERCENT OF THE STEEL AND NON-STEEL VALUES CAN BE UTILIZED FOR IMPORTING ITEMS ON THE RESPECTIVE BANNED LIST, THE LIMIT FOR A SINGLE ITEM BEING RS. 50,000.

--IMPORT OF -NON-PERMISSIBLE" SPARES ON THE BASIS OF THE CERTIFIED VALUE OF CAPITAL GOODS AS OF APRIL 1,1978.

--PERMISSIBLE SPARES PLACED ON OGL.

--EMERGENCY SPARES WITHOUT VALUE LIMIT, BUT SUBJECT TO CLOSER EX POST FACTO MONITORING.

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-- FACILITY OF A SUPPLEMENTARY LICENSE INDICATING THE LIST OF ITEMS CLEARED BY SPONSORING AUTHORITY FOR ADDITIONAL REQUIREMENTS OF RAW MATERIALS COMPONENTS, CONSUMABLES AND "NON-PERMISSIBLE" SPARES.

--SPECIAL PROVISIONS FOR ELECTRONIC ITEMS THAT ARE MADE UNIFORM FOR ALL USERS IN THE PUBLIC AND PRIVATE SECTORS. INDUSTRIAL USERS CAN IMPORT UPTO RS. 500,000 EITHER UNDER AUTOMATIC OR SUPPLEMENTARY LICENSES BUT FOR ADDITIONAL IMPORTS PRIOR APPROVAL AND CLEARANCE FROM GOI DEPARTMENT OF ELECTRONICS IS NECESSARY. ALL COMPUTER SYSTEMS WILL REQUIRE THIS CLEARANCE EVEN IF IMPORTED UNDER THE IMPORT REPLENISHMENT SCHEME.

#### 6. CAPITAL GOODS.

-- 14 KEY INDUSTRIES (INCLUDING FERTILIZERS; POWER GENERATION; MINERAL EXPLORATION, MINING AND BENEFICATION; PETROLEUM EXPLORATION AND PRODUCTION) ARE PERMITTED TO INVITE GLOBAL TENDERS THROUGH A GOI WEEKLY, "INDIAN TRADE JOURNAL". INDIAN MANUFACTURERS TENDERING FOR THESE CONTRACTS WILL NOT HAVE ANY PRICE PREFERENCE BUT WILL BE ALLOWED IMPORTS OF RAW MATERIALS WITHOUT ANY FURTHER CLEARANCES. IMPORTS OF FOREIGN CAPITAL GOODS WILL REMAIN SUBJECT TO AN IMPORT DUTY OF AROUND 40 PERCENT. A COMMITTEE HEADED BY THE SECRETARY OF THE DEPARTMENT OF HEAVY INDUSTRY WILL SCRUTINIZE THE COMPETITIVE OFFERS, FOREIGN AND INDIAN, AND RECOMMEND APPROPRIATE PURCHASES.

-- THE LIST OF CAPITAL GOODS PLACED ON OGL FOR ACTUAL USERS HAS BEEN ENLARGED FROM 167 TO 253 ITEMS, MOSTLY GARMENT AND HOSIERY MACHINERY(87), LEATHER MACHINERY (84), AND A WIDE RANGE OF MACHINE TOOLS. NO SECOND-HAND EQUIPMENT OR DEFERRED PAYMENT ARRANGEMENTS WILL BE PERMITTED FOR ANY ITEM ON OGL. THE ABOVE COMMITTEE WILL REVIEW THE ITEMS PLACED ON UNCLASSIFIED

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OGL AND RECOMMEND CHANGES ONCE A YEAR FOR MOST CAPITAL GOODS.

#### 7. A THREE -TIER IMPORT LICENSING SYSTEM HAS BEEN INTRODUCED TO

FACILITATE DECENTRALIZATION OF DECISION MAKING. ALL APPLICATIONS UPTO THE VALUE OF ONE MILLION RUPEES WILL BE HANDLED BY REGIONAL LICENSING OFFICES UPTO 2.5 MILLION RUPEES BY THE CAPITAL GOODS AD HOC COMMITTEE, AND LARGER VALUE LICENSES BY THE CAPITAL GOODS MAIN COMMITTEE.

8. CANALIZATION. (EXCLUSIVE TRADING BY THE PUBLIC SECTOR CORPORATIONS).

THE IMPORT OF 56 ITEMS LARGELY THOSE USED BY THE SMALL SECTOR HAS BEEN TAKEN OFF THE CANALIZED LIST. ON THE OTHER HAND, ARMS AND AMMUNITION, LIQUOR AND INDUSTRIAL EXPLOSIVES MUST NOW BE IMPORTED THROUGH THE STATE TRADING CORPORATION. THE IMPORT OF 65 ITEMS ARE STILL CANALIZED THROUGH PUBLIC SECTOR AGENCIES. CANALIZING AGENCIES WILL BE GIVEN AN ANNUAL ALLOCATION OF FOREIGN EXCHANGE TO FACILITATE IMPORT OF ANY OF THESE ITEMS WITHOUT THE NEED FOR AN IMPORT LICENSE.

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SS-15 STR-07 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02  
OMB-01 DOE-15 OES-07 XMB-04 /145 W  
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R 061316Z APR 78  
FM AMEMBASSY NEW DELHI  
TO SECSTATE WASHDC 740  
INFO AMEMBASSY COLOMBO  
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9. EXPORT HOUSES. THE ROLE AND FUNCTIONS OF EXPORT HOUSES HAVE BEEN RECAST IN ORDER TO FURTHER ENCOURAGE EXPORTS FROM THE SMALL SCALE SECTOR. HIGHLIGHTS OF CHANGES ARE:

- BESIDES THE IMPORT REPLENISHMENT LICENSES GIVEN ON THEIR OWN EXPORTS, EXPORT HOUSES WILL BE GIVEN "ADDITIONAL LICENSES" EQUIVALENT TO FIVE PERCENT OF THE 1977-78 FOB VALUE OF "SELECT PRODUCTS" MANUFACTURED BY LARGE SECTOR PLANTS AND 33 1/3 PERCENT OF SELECT PRODUCTS MANUFACTURED BY SMALL SCALE, TINY AND COTTAGE SECTOR UNITS.

- THESE ADDITIONAL LICENSES WILL BE VALID FOR MOST ITEMS  
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FROM THE RESTRICTED LIST FOR ACTUAL USERS. IMPORT OF A SINGLE ITEM CANNOT EXCEED 100,000 RUPEES BUT SUCH GOODS CAN BE SOLD TO ELIGIBLE ACTUAL USERS.

- IN ADDITIONAL TO ITEMS APPEARING IN THEIR RESPECTIVE LICENSES, EXPORT HOUSES CAN USE REPLENISHMENT LICENSES, INCLUDING THOSE TRANSFERRED BY OTHER EXPORTERS, FOR IMPORTING OTHER CAPITAL GOODS, RAW MATERIALS, COMPONENTS AND SPARES ON OGL. SALES CAN BE MADE ONLY TO ELIGIBLE USERS.

-- EXPORT HOUSE STATUS IS GRANTED TO SMALL SCALE SECTOR MANUFACTURING UNITS AND CONSORCIA OF SUCH UNITS WITH MINIMUM EXPORTS OF ONE MILLION RUPEES AND AN ANTICIPATED ANNUAL EXPORT GROWTH OF 500,000 RUPEES. (REGULAR EXPORT HOUSES MUST HAVE MINIMUM EXPORTS OF 10 MILLION RUPEES FOR SELECT PRODUCTS OR 50 MILLION RUPEES FOR NON-SELECT PRODUCTS).

- FOREIGN EXCHANGE LIMIT IS RAISED TO 500,000 RUPEES. BEYOND THIS LIMIT EXPENDITURES WILL BE DEBITED TO IMPORT REPLENISHMENT LICENSES.

-- LICENSING OF EXPORT HOUSES HAS BEEN DECENTRALIZED TO THE PLACE OF LOCATION OF THEIR OFFICES.

10. SMALL SCALE SECTOR (SSS). CERTAIN SPECIAL FACILITIES WILL BE AVAILABLE TO PROMOTE PRODUCTION IN THIS SECTOR.

- IMPORT OF ITEMS RESERVED FOR PRODUCTION IN SSS ARE GENERALLY BANNED.

- IMPORT LICENSES UPTO 300,000 RUPEES WILL BE GRANTED FOR ESTABLISHING NEW UNITS ANYWHERE, AND UPTO 500,000

RUPEES IN BACKWARD AREAS (IN PLACE OF PREVIOUS SYSTEM OF  
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IMPORT LICENSES LINKED TO VALUE OF MACHINERY). LICENSES  
WILL BE ISSUED AS RECOMMENDED BY THE SPONSORING  
AUTHORITIES.

- EX-WAREHOUSE PRICE CHARGED TO SSS WILL BE PUT ON PAR WITH  
THE PRICE PAYABLE BY LARGE SCALE USERS ON HIGH  
SEAS SALES.

- SSS UNITS WILL BE GIVEN LARGER PROPORTION OF CANALIZED  
IMPORTS TO ALLOW FOR THEIR LARGER INVENTORY AND TRANSPORT  
REQUIREMENTS.

11. PROCEDURAL AND OTHER CHANGES. THE FOLLOWING MAJOR  
CHANGES HAVE BEEN MADE:

- ALL "ACTUAL USERS" AND "IMPORT REPLENISHMENT" LICENSES  
WILL BE ISSUED IN FREE FOREIGN EXCHANGE.

-- PUBLIC AND PRIVATE SECTOR COMPANIES WILL BE TREATED  
EQUALLY IN LICENSING REQUIREMENTS, FACILITIES AND  
PROCEDURES.

- JOINT WEEKLY MEETINGS BETWEEN IMPORT LICENSING AND  
CUSTOMS AUTHORITIES WILL NOW BE AUTHORIZED TO TAKE DECISIONS TO  
SPEED UP CLEARANCES AT PORTS.

-- FACILITIES FOR SENDING EQUIPMENT AND OTHER ITEMS OVERSEAS  
FOR REPAIR AND RETURN HAVE BEEN DECENTRALIZED WITHOUT ANY  
SCRUTINY OF DIRECTORATE GENERAL OF TECHNICAL DEVELOPMENT.

-- ARRANGEMENTS FOR LENDING OR TRANSFER OF IMPORTED MATERIAL  
BETWEEN ACTUAL USERS HAVE BEEN CONSIDERABLY SIMPLIFIED  
AND DECENTRALIZED.

- NO RESTRICTIONS WILL BE PLACED ON TRANSFERABILITY OF IMPORT  
REPLENISHMENT LICENSES.

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- GOODS DAMAGED OR LOST IN TRANSIT MAY BE REPLACED WITHOUT A  
LICENSE.

- MISSIONARY: CHARITABLE/EDUCATIONAL INSTITUTIONS WILL BE

PERMITTED TO RECEIVE IF PROPERLY JUSTIFIED, GIFTS OF  
MOTOR VEHICLES OTHER THAN CARS.

-- INDIANS RETURNING TO INDIA WILL BE ASSISTED IN  
ESTABLISHING ANY INDUSTRY OF THEIR CHOICE.

-- IRON AND STEEL ITEMS ARE NOW TREATED SIMILAR TO  
OTHER GOODS.

-- CONSIDERABLE LIBERALIZATION HAS BEEN PROVIDED FOR  
BOTH IMPORTERS AND EXPORTERS IN SECURING PROTOTYPES  
AND SAMPLES.

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12. ORGANIZATION. THE TITLE OF THE OFFICE OF CHIEF CONTROLLER OF  
IMPORTS AND EXPORTS HAS BEEN CHANGED TO DIRECTOR GENERAL OF FOREIGN  
TRADE (DGFT). ITS NEW TASK WILL INCLUDE IMPORT MANAGEMENT AND  
ANALYSIS OF TRADE DATA AND PRICES IN ADDITION TO THE LICENSING  
AND REGULATORY FUNCTIONS. BECAUSE OF CONSIDERABLE SIMPLIFICATION  
OF PROCEDURES, IT IS ANTICIPATED THAT THE NUMBER OF IMPORT LICENCE

APPLICATIONS WILL FALL BY ABOUT 60 PERCENT. FOUR EXISTING OFFICES UNDER DGFT HAVE BEEN UPGRADED AND SIX NEW OFFICES ARE BEING OPENED SHORTLY. MOST STATES WILL SOON HAVE LICENSING OFFICES. ALL LICENSING WORK IS TO BE DECENTRALIZED EXCEPT FOR CAPITAL GOODS EXCEEDING RS. ONE MILLION AND A FEW OTHER ITEMS. THE SYSTEM OF ADVANCE LICENSING WILL BE STREAMLINED.

13. EXPORT PROMOTION MEASURES. REGISTERED EXPORTERS ARE NO LONGER UNCLASSIFIED

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OBLIGED TO PURCHASE 20 PERCENT OF ROUGH DIAMONDS THROUGH THE MINERALS AND METALS TRADING CORPORATION. THIS MEASURE IS DESIGNED TO ENCOURAGE THE EXPORT OF CUT AND POLISHED DIAMONDS, GEMS AND JEWELRY. MANUFACTURERS WHO EXPORTED AT LEAST 50 PERCENT OF THEIR 1977-78 PRODUCTION ARE ELIGIBLE TO GET SUPPLEMENTARY IMPORT LICENSES EQUAL TO ONE-HALF OF THE AUTOMATIC LICENSES, WITHOUT GOING TO THE SPONSORING AUTHORITIES. ADVANCE LICENSES WILL NOW BE FIRST ISSUED BY REGIONAL LICENSING AUTHORITIES AT THE REQUEST OF EXPORTERS. THIS MEASURE WILL HELP EXPORTERS TO EXECUTE CONTRACTS ON TIME. EXPORT PROMOTION ACTIVITIES ARE EXPECTED TO BE UNERTAKEN BY DFT IN OST INDIAN CITIES OF OVER ONE MILLION POPULATION DURING 1978-79. THE PRESENT PATTERN OF "CASH ASSISTANCE" TO EXPORTERS (NEWDELHI A-4) WILL CONTINUE THROUGH 1978-79 TO PROVIDE CONTINUITY TO THE EXPORT PROMOTION EFFORT. THE SYSTEM WILL BE REVIEWED DURING THE YEAR AND CHANGES MADE NEXT FISCAL YEAR.

14. TRADE REACTION. INDUSTRY AND TRADE CIRCLES HAVE GENERALLY WELCOMED THE NEW POLICY, ESPECIALLY THE EXPANSION OF THE OGL LIST, DECENTRALIZED LICENSING AND THE ABANDONMENT OF A NUMBER OF CUMBERSOME AND TIME CONSUMING PROCEDURES. THE SMALL SECTOR IS PLEASE WITH LIBERAL IMPORTS FOR ESTABLISHING NEW UNITS AND FOR MORE EQUAL TREATMENT IN THE PRICES OF CANALIZED ITEMS. THE FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY (FICCI) HAS GIVEN A "CAUTIOUS WELCOME", BUT REMAINS CONCERNED ABOUT THE SLUGGISH GROWTH OF OUTPOUT AND INVESTMENT. FICCI WANTS THE IMPORT DUTY RATE ON ALL CAPITAL EQUIPMENT REDUCED TO 25 PERCENT.

15. COMMENT. FOR THE FIRST TIME THE GOI HAS COMBINED ITS IMPORT AND EXPORT POLICIES, ALTHOUGH THE MAJOR EMPHASIS NOW IS ON IMPORT LIBERALIZATION RATHER THAN ON EXPORT PROMOTION, UNCLASSIFIED

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AS WAS THE CASE IN THE PAST FEW YEARS. THE POLICY, WHICH MAY

BE EXTENDED FOR MORE THAN ONE YEAR, ACCELERATES THE PROCESS OF ABANDONING UNNECESSARY CONTROLS AND PROCEDURES IN ORDER TO INCREASE INDUSTRIAL EFFICIENCY AND GROWTH. IMPORT LIBERALIZATION HAS LARGELY BEEN POSSIBLE BECAUSE OF THE BUILD UP OF FOREIGN EXCHANGE RESERVES. THE NEW IMPORT POLICY WILL REPORTEDLY EXPOSE ABOUT ONE HALF OF THE DOMESTIC CAPITAL GOODS INDUSTRY TO INTERNATIONAL COMPETITION. HOWEVER, SOME CRITICISM HAS BEEN VOICED REGARDING THE POSSIBLE DANGERS TO INDIGNEOUS FIRMS, PARTICULARLY WHEN MUCH OF INDIAN INDUSTRY IS FACED BY UNDERUTILIZED CAPACITY. ALTHOUGH SOME IMPORTANT CONCESSIONS HAVE BEEN GIVEN TO THE SMALL SCALE SECTOR, WE BELIEVE THAT REGULAR EXPORT HOUSES HAVE OBTAINED THE MOST SIGNIFICANT BENEFITS. THE LIBERALIZED POLICY IS AN OPPORTUNITY FOR U.S. EXPORTERS, PARTICULARLY OF CAPITAL EQUIPMENT AND SPARE PARTS, TO INCREASE THEIR SALES TO INDIA, ESPECIALLY TO NEW SMALL SCALE UNITS. HOWEVER, IT MAY TAKE SOME MONTHS FOR THE NEW POLICY TO TAKE FULL EFFECT. EVEN SO, THE CONTINUING PROBLEM OF SLACK DOMESTIC DEMAND AND HIGH CAPITAL COST OF PROJECTS, WHICH AFFECT INDUSTRIAL INVESTMENT AND GROWTH ADVERSELY MAY NOT PERMIT A SIGNIFICANT RISE IN IMPORTS. IF FOREIGN EXCHANGE RESERVES CONTINUE TO GROW, IT IS LIKELY THAT THE GOI WILL LIBERALIZE FURTHER ITS IMPORT POLICIES PARTICULARLY FOR CONSUMER GOODS PRODUCED BY LARGE DOMESTIC FIRMS.

16. FIVE COPIES OF THE GOI PRESS NOTE ON THE POLICY ARE BEING POUCHED TO WASHINGTON. ALSO, THREE SETS OF THE POLICY BOOKS WILL BE SENT UNDER THE CERP PUBLICATIONS PROGRAM.

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## Message Attributes

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**Subject:** GOI IMPORT EXPORT POLICY FOR 1978-79  
**TAGS:** ETRD, IN  
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